



Federal Express: The Money Back Guarantee (A)

Date: Thursday, March 31, 1988
Time: 10:00 a.m.
Place: Amelia Island Plantation Resort, Florida
Setting: An executive education seminar

Sylvia Cooper, a business school professor, was delivering an executive education seminar for 30 senior managers of a *Fortune 500* company. On the night before her big presentation, she showed participants a Tom Peters video, *A Passion for Customers*, that included a complimentary segment on Federal Express. On the morning of her presentation, she had reason to feel remorse about showing that segment.

Reason: The day before, Cooper's secretary had used Federal Express to send her a videotape and some other material she needed for her Thursday presentation. (The videotape had just been completed by the audio-visual department at her school.) A front desk clerk had told Cooper that Federal Express deliveries usually arrived by 10:00 a.m. By that time on Thursday, the daily delivery had indeed been made, but Cooper's package was not there. Her presentation was scheduled for 2:00 p.m.

When Cooper learned that her package had not arrived, she asked whether it could have been overlooked, and suggested that perhaps it was on a delivery truck elsewhere at the resort. The front-desk manager agreed to send someone to check the parcels on all the delivery trucks. When Cooper called the front desk back at 10:30, she was told that a complete search had not turned up her package.

Cooper then called her secretary, Alice, to make sure she had sent the package. Alice said she had, and offered to check the university mailroom to see if a mistake had been made there. "Call me back in 10 minutes," she told Cooper. When Cooper called back, Alice explained that the mailroom had sent the package, and that everything appeared to be in order on her end. Knowing that Federal Express employed a sophisticated tracking system, Cooper asked Alice to call Federal Express to locate the package. To do so, Alice went back to the mailroom to obtain the air bill number.

When she called Alice back at 11:00, Cooper learned that her package had been a "missort." According to the tracking system, it was sitting at the Federal Express terminal in Savannah, Georgia. The resort was about a three-hour drive from Savannah.

Cooper often cited Federal Express in classes and seminars she taught as an example of service excellence; therefore, she decided to see what she could learn by calling the company herself.

Professor Christopher W.L. Hart prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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She was interested in finding out how Federal Express would “make things right” for her and save her 2:00 presentation.

On the first ring—just as shown in the Tom Peters video—a customer service representative answered.

Cooper:

I have a serious problem. Yesterday, my secretary sent a package that should have reached me at Amelia Island this morning. Apparently it was missorted, and it’s sitting in Savannah. I need the material in that package by 2:00 this afternoon. What can you do for me?

Federal Express:

I will need some information, ma’am. What is your air bill number?

C: 619732942.

FE: Thank you. Please hold while I check its status.

C: No, I *know* the status—(Pause).

FE: Ma’am, your package is a missort. It ended up in Savannah, Georgia.

C: That part I know. What I need to know now is what are going to do about it?

FE: It’s our policy that we’ll get the parcel to you just as soon as possible. And we won’t charge you for it.

C: That doesn’t do me any good. I need to know when it will be delivered.

FE: Well, ma’am, we send missorted parcels ASAP. You should have it tomorrow morning.

C: That’s too late—I need the material at 2:00 *today*. And I won’t even be here tomorrow, I’ll be back at home.

FE: That’s no problem, ma’am. We’ll send it to your home address. What is the address?

C: The address is on the air bill, but that’s not the point. I’ve got to have that material today. Can you get it to me some other way—put it on one of your trucks, or put it in a cab, or in a *helicopter*, for heaven’s sake!

FE: (Silence at the end of the line.)

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Exhibit 1 Federal Express Money Back Guarantee—Short Form

Two Money-Back Guarantees

Federal Express backs its dependability with *two* money-back guarantees.



First, we guarantee that if we fail to deliver your package by 10:30 A.M. we'll give you your money back. Even if delivery is only 60 seconds late.

Second, our technologically advanced system allows us to tell you the exact status of your package within 30 minutes of your call. If we can't, you'll get your money back.

Exhibit 2 Federal Express Money Back Guarantee—Long Form

Money-Back Guarantee Policy

Federal Express offers two money-back guarantees:

1. *Service Failure* - At our option, we will either refund or credit your shipping charges upon request if we deliver your shipment 60 seconds or more after our published delivery commitment.

In order to qualify for refund or credit the following conditions apply:

- For invoiced shipments and for shipments by customers using our automated systems, you must notify us in writing or by telephone of a service failure within 15 calendar days from the invoice date.
- For shipments not invoiced by Federal Express (paid by cash, check or credit card) you must notify us in writing or by telephone of a service failure within 15 calendar days from the date of shipment.
- A service failure will not be deemed to have occurred if within 30 calendar days after you notify us we provide you with:
 - (a) proof of timely delivery, consisting of the date and time of delivery and name of the person who signed for the shipment; or
 - (b) service exception information reflecting that the failure to timely deliver resulted from an exception described under "Liabilities Not Assumed."
- At the time you notify us, you must provide the account number, if any, the airbill or package tracking number, the date of shipment, and the recipient's name, address and Zip Code®.
- Only one refund or credit is permitted per package. In the case of multiple package shipments, this money-back guarantee will apply to every package in the shipment. If a service failure occurs for any package within the shipment a refund or credit will be given for the portion of the shipment charges applicable to that package.
- Package Consolidators are not eligible for this money-back guarantee (see "Package Consolidators" section).
- A refund or credit will not be given for shipments delayed due to incorrect addresses or Zip Codes® or to the unavailability or refusal of a person to accept delivery or sign for the package or due to any of the causes described under "Liabilities Not Assumed." In addition, for shipments to and from Puerto Rico and to international destinations, refund or credit will not be given if failure to deliver is the result of Tax Authority or customs delays arising from inspection requirements or from omissions in documentation.
- This money-back guarantee does not apply to shipments destined outside our primary service areas.
- This money-back guarantee does not apply to requests for invoice adjustment based on overcharges (see "Billing").

- Effective April 1, 1988, for invoiced shipments and for shipments by customers using our automated systems, you must notify us in writing or by telephone of a service failure within 15 calendar days from the invoice date and must within the same 15 calendar days pay for all shipments on the invoice as to which timely delivery occurred based on our records. You must furnish with your payment the invoice numbers to which your payment applies. If an invoice is not paid in full, the reason for each unpaid charge must be noted with its airbill or package tracking number.

2. *Package Status* - At our option, we will either refund or credit your shipping charges upon request if we cannot report the status of your package within 30 minutes of inquiry.

Package status is defined as the most recent electronically-scanned location of your package as reflected in our COSMOS computer system.

In order to qualify for refund or credit, the following conditions apply:

- You must telephone us and make your request within 15 calendar days after the date of shipment. Written requests will not be accepted.
- The response period under this money-back guarantee is 30 minutes per package. Where more than one package status inquiry is made in a call, we will respond within 30 minutes of our receiving all package related information.
- You must provide your account number, if any, the airbill or package tracking number, date of shipment, pieces and weight and the recipient's name, address and Zip Code® on the first call.
- Only one refund or credit is permitted per package. In the case of multiple package shipments, this money-back guarantee will apply to each package in the shipment.
- This money-back guarantee does not apply to shipments destined outside our primary service areas.
- Package Consolidators are not eligible for this money-back guarantee (see "Package Consolidators" section).
- Due to time zone differences, the package status money-back guarantee does not apply to international shipments.

Liabilities Not Assumed

FEDERAL EXPRESS SHALL NOT BE LIABLE, IN ANY EVENT, FOR ANY DAMAGES, WHETHER DIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL IN EXCESS OF THE DECLARED VALUE OF A SHIPMENT ARISING FROM TRANSPORTATION SUBJECT TO THE SERVICE CONDITIONS CONTAINED IN THIS GUIDE, WHETHER OR NOT FEDERAL EXPRESS HAD KNOWLEDGE THAT SUCH DAMAGES MIGHT BE INCURRED, INCLUDING, BUT NOT LIMITED TO, LOSS OF INCOME OR PROFITS.

Federal Express shall not be liable for, nor shall any adjustment, refund or credit of any kind be made as a result of any loss, damage, delay, mis-delivery or non-delivery except such as may result from our sole negligence and the liability for which shall not exceed the declared value of a shipment, including, but not limited to, any such loss, damage, delay, mis-delivery or non-delivery caused by:

(a) The act, default or omission of the shipper, recipient or any other party who claims an interest in the shipment.

(b) The nature of the shipment or any defect, characteristic or inherent vice of the shipment.

(c) Violation by the shipper or recipient of any of the terms and conditions contained in our Service Guide, as amended from time to time including, but not limited to, improper or insufficient packing, securing, marking or addressing, or failure to observe any of the Service Conditions relating to shipments.

(d) Acts of God, perils of the air, public enemies, public authorities acting with actual or apparent authority on the premises, authority of law, acts or omissions of customs or quarantine officials, riots, strikes or other local disputes, civil commotions, hazards incident to a state of war or weather conditions, national or local disruptions in air or ground transportation networks due to events beyond our control, such as weather phenomena, strikes by government or employees of such organizations or natural disasters.

(e) Acts or omissions of any person or entity other than Federal Express, including our compliance with verbal or written delivery instructions from the shipper or recipient.

(f) Loss of articles loaded and sealed in packages by the shipper, provided the seal is unbroken at the time of delivery and the package retains its basic integrity.

Upon the occurrence of any of the events described in (d) above, we commit to servicing all customers by making all reasonable efforts to transport and deliver packages to their designated recipient as quickly as practicable under the circumstances.